56th Report

LIQUOR CONTROL BOARD OF ONTARIO

APRIL 1, 1981
to MARCH 31, 1982

Ontario

56th

Report

LIQUOR CONTROL BOARD OF ONTARIO

APRIL 1, 1981
to MARCH 31, 1982

Formed in 1927, the Liquor Control Board of Ontario was incorporated as a Crown Corporation under The Liquor Control Act, 1975. The Board regulates the sale and transportation of liquor throughout the province and establishes stores for the sale of liquor to the public. Also, it purchases products for sale to the public and maintains quality control over those products.

Liquor Control Board of Ontario
55 Lake Shore Boulevard East
Toronto, Ontario
M5E 1A4

Ontario

Highlights

	1982	1981	1980
	($000)	($000)	($000)
Sales	**$1,329,263**	$1,182,784	$1,079,746
Increase in %/ previous year	**12.4%**	9.5%	9.0%
	($000)	($000)	($000)
Operating expenses	**$144,691**	$128,411	$117,575
% of expenses/sales	**10.9%**	10.9%	10.9%
	($000)	($000)	($000)
Net income	**$507,764**	$443,383	$407,587
% of net income/sales	**38.2%**	37.5%	37.7%
Self-serve stores in operation	**460**	443	419
Total stores in operation	**591**	592	591
Number of permanent employees	**3,505**	3,544	3,598
Number of regular products listed	**2,107**	2,103	2,124

Liquor Control Board of Ontario

55 Lake Shore Boulevard East,
Toronto, Ontario M5E 1A4
August 6, 1982

The Honourable John Black Aird, O.C., Q.C., B.A., LL.D.
The Lieutenant Governor of Ontario,
Queen's Park,
Toronto, Ontario M7A 1A1

May It Please Your Honour,

The 56th Report and Financial Statements of the Liquor Control Board of Ontario are submitted herewith pursuant to Section 7 of The Liquor Control Act, 1975, as well as the report of the Provincial Auditor.

This Report outlines the results and activities of the Board for the fiscal year ended March 31, 1982, specifically in relation to its responsibility for the control and distribution of distillery, winery and brewery products in Ontario.

Programs were continued during the past year in order to achieve more efficient and effective operations and better service to the consumers of Ontario.

Although sales through Board stores of $1.3 billion increased 12.4% over the previous year, sales volume in gallons increased only 1%. Factors contributing to this sales increase in dollars included suppliers' price increases, Federal excise tax increases and mark-up increases in the 1981 Ontario Budget. As a result, profits paid to the Treasurer of Ontario exceeded $500 million for the first time and at $502 million were 15.9% greater than the previous year.

During these inflationary times, the need to constantly monitor administrative and operating costs continued to be a priority of the Board. Expenses were controlled and remained at 10.9% of sales.

I would like to recognise and acknowledge the loyality and contribution made by the dedicated employees of the Board during the past year. Special thanks are extended to the full and part-time Members: R.J. Harris, Vice-Chairman, Hon. W.G. Newman, J.M. Thompson and F.H. Hooper.

I have the honour to be, Sir,

Your Obedient Servant,

William J. Bosworth,
Chairman

Sales

Total sales of spirits, wine and beer by Board stores during the fiscal year ended March 31, 1982, were $1,329,263,205. Of this total $175,309,374 or 14.7% consisted of sales to licensed establishments. Sales of Ontario Wine made directly to customers by licensed retail wine stores and wineries in Ontario amounted to $27,787,165. The net value of beer sold in Ontario by breweries and brewers' retail outlets, exclusive of the cost of containers, totalled $825,415,158.

The following table shows increases (decreases) in sales for the fiscal year under review as compared with the previous year's totals:

Sales by Value

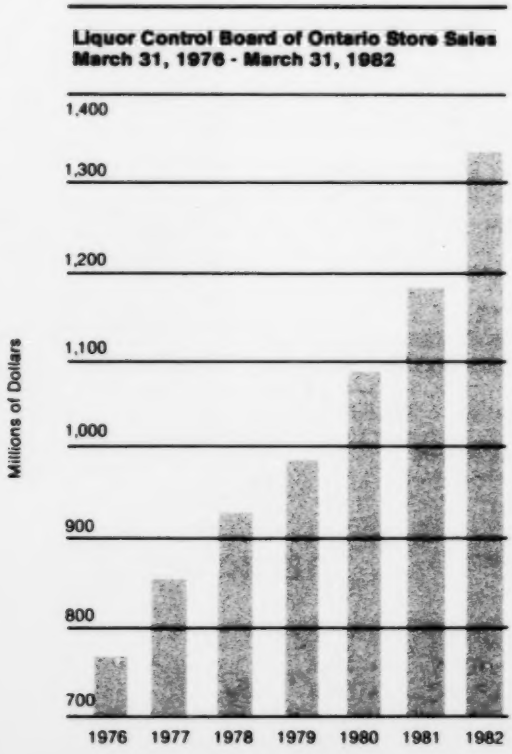
	Fiscal Year Ended March 31, 1982	Fiscal Year Ended March 31, 1981	Increase
Sales by Board Stores			
Canadian Spirits	[illegible]	$658,240,827	$ 73,385,809
Imported Spirits	[illegible]	179,669,936	25,481,509
*Canadian Wines	[illegible]	111,901,631	13,417,735
Imported Wines	[illegible]	178,912,378	19,180,420
Canadian Beers	[illegible]	42,148,309	14,263,271
Imported Beers	[illegible]	11,911,388	749,992
Total Sales by Board Stores	[illegible]	$1,182,784,469	$ 146,478,736
Sales by Ontario Wineries and Winery Stores	$ [illegible]	$ 24,341,521	$ 3,445,644
Sales by Breweries and Brewers' Retail Stores (exclusive of container value)	$ [illegible]	$ 697,438,210	$127,976,948

*Includes Ontario wine sales of $114,451,752 during fiscal year ended March 31, 1982 compared with $100,396,583 during previous year.

Sales by Gallons

	[illegible]	Fiscal Year Ended March 31, 1981	Increase (Decrease)
Sales by Board Stores			
Canadian Spirits	[illegible]	13,291,360	(95,294)
Imported Spirits	[illegible]	2,829,270	58,716
*Canadian Wines	[illegible]	6,797,181	197,173
Imported Wines	[illegible]	7,392,657	653,238
Canadian Beers	[illegible]	8,022,280	(276,818)
Imported Beers	[illegible]	1,068,352	(18,422)
Total Sales by Board Stores	[illegible]	39,401,100	518,593
Sales by Ontario Wineries and Winery Stores	[illegible]	1,534,884	73,545
Sales by Breweries and Brewers' Retail Stores	[illegible]	158,220,854	187,105

*Includes Ontario wine sales of 6,407,081 gallons during fiscal year ended March 31, 1982 compared with 6,028,138 gallons during previous fiscal year.



Revenue Payments

Levies on beverage alcohol sold in the province during the year contributed a total of $1,130,687,764 to the Treasurer of Ontario and the Government of Canada. This amount does not include corporation, realty and business taxes paid by the distilleries, wineries, breweries and licence holders. Ontario retail sales tax collected by licence holders and agency stores on sales of beverage alcohol is also excluded from these figures.

Of these payments, $502 million was remitted to the Treasurer of Ontario on account of Board profits, representing some three percent of the province's 1981-82 revenue. In addition, the Board paid $2,959,404 to Ontario municipalities as grants in lieu of realty and business taxes.

A summary of the aforementioned revenue payments is as follows:

Treasurer of Ontario		
Remitted by the Board —		
on account of profits	$502,000,000	
Ontario Retail Sales Tax on sales through liquor stores	111,467,170	
	613,467,170	
Remitted by others —		
Retail Sales Tax on sales through retail wine stores and brewers' retail stores	63,488,944	$ 676,956,114
Government of Canada		
Paid by the Board —		
Customs and Excise Duties	225,562,200	
Federal Sales Tax on spirits, wines and imported beers	65,037,862	
	290,600,062	
Paid by others —		
Malt duties and taxes on domestic beers and wines	163,131,588	453,731,650
		1,130,687,764
Ontario Municipalities		
Paid by the Board —		
Grants in lieu of realty and business taxes		2,959,404
		$1,133,647,168

Breakdown of Average Retail Bottle Price for all Spirits & Wine sold by the L.C.B.O. during the Year Ended March 31, 1982

Ret	Tax	$ .80
		4.13
		.41
		1.43
		2.03
		$8.80 Average Retail Bottle Price

Summary

Supplier	$2.03 –	23.1%
Federal Gov't.	1.84 –	20.9%
Provincial Gov't.	4.93 –	56.0%
	$8.80	

Financial Statements

LIQUOR CONTROL BOARD OF ONTARIO
(Incorporated under the Liquor Control Act, 1975)

Balance Sheet

March 31, 1982

ASSETS

	1982	1981
	$	$
Current		
Cash	7,130,838	—
Accounts receivable, trade and others	2,286,224	1,939,155
Inventories, at cost	135,506,224	123,851,894
Prepaid expenses	898,795	515,696
	145,841,081	126,306,745
Fixed, at cost (note 1)	90,159,185	81,957,603
Less amounts written off	90,159,184	81,957,602
	1	1
	145,841,082	126,306,746

LIABILITIES AND RETAINED INCOME

Current		
Bank overdraft	—	1,472,342
Accounts payable and accrued liabilities	70,415,841	55,173,528
	70,415,841	56,645,870
Retained income	75,425,241	69,660,876
	145,841,082	126,306,746

See accompanying notes to financial statements.

Approved: W.J. BOSWORTH, Chairman F.A. MacINNIS, General Manager

Audit Report

I have examined the balance sheet of the Liquor Control Board of Ontario as at March 31, 1982 and the statements of income and retained income for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at March 31, 1982 and the results of its operations for the year then ended in accordance with generally accepted accounting principles, as modified by Note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Board and to the Minister.

Toronto, Ontario
August 6, 1982.

D.F. Archer, F.C.A.,
Provincial Auditor.

LIQUOR CONTROL OF ONTARIO

Statement of Income

Year ended March 31, 1982

	1982	1981
	$	$
Sales	1,329,263,205	1,182,784,469
Cost of sales	684,341,922	616,263,246
Gross income	644,921,283	566,521,223
Operating expenses		
Salaries and employee benefits	104,235,466	94,234,966
Rent	12,087,357	10,957,204
Repairs and maintenance	2,756,964	2,897,493
Grants in lieu of taxes	2,959,404	2,423,902
Utilities	3,251,992	2,785,809
Packing material	1,918,734	1,662,244
Stationery	1,058,995	862,047
Travelling	533,950	468,825
Stock breakage and losses	1,275,387	1,327,405
Agency commissions and expenses	814,028	728,943
Armour car services	790,266	648,207
Security services	142,152	279,593
Equipment rental and supplies	804,644	721,902
Telephone and telegraph	541,067	454,196
Other	3,115,768	2,854,228
Fixed assets written off	8,405,638	5,104,082
	144,691,812	128,411,046
Operating income	500,229,471	438,110,177
Other revenue		
Special occasion permit purchase fees	3,786,652	3,885,190
Interest on bank balances	2,775,982	646,426
Miscellaneous income	972,270	741,640
	7,534,904	5,273,256
Net income for the year	507,764,375	443,383,433

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Retained Income

Year ended March 31, 1982

	1982	1981
	$	$
Balance, beginning of year	69,660,876	59,277,443
Add:		
Net income for the year	507,764,375	443,383,433
	577,425,251	502,660,876
Deduct:		
Payments to the Treasurer of Ontario on account of net income	502,000,000	433,000,000
Balance, end of year	75,425,251	69,660,876

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Notes to Financial Statements

March 31, 1982

1. FIXED ASSETS

Fixed assets are written off in the year of acquisition and are carried on the books at a nominal value of $1.00.

The cost at year end of fixed assets, net of disposals, is as follows:

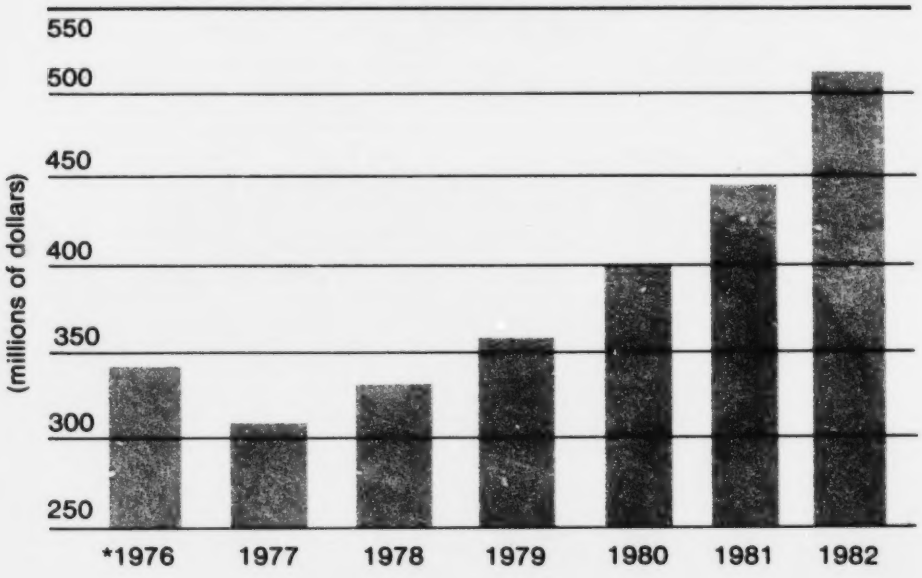
	1982	1981
	$	$
Land (note 2b)	12,564,269	11,255,906
Buildings (note 2b)	58,857,862	51,457,348
Furniture and equipment	10,648,164	9,753,095
Leasehold improvements	10,088,900	9,491,254
	90,159,195	81,957,603

2. COMMITMENTS

(a) Total commitments as of March 31, 1982 for lease of premises amount to $51,100,000. Of this total $9,500,000 becomes payable during the year ending March 31, 1983.

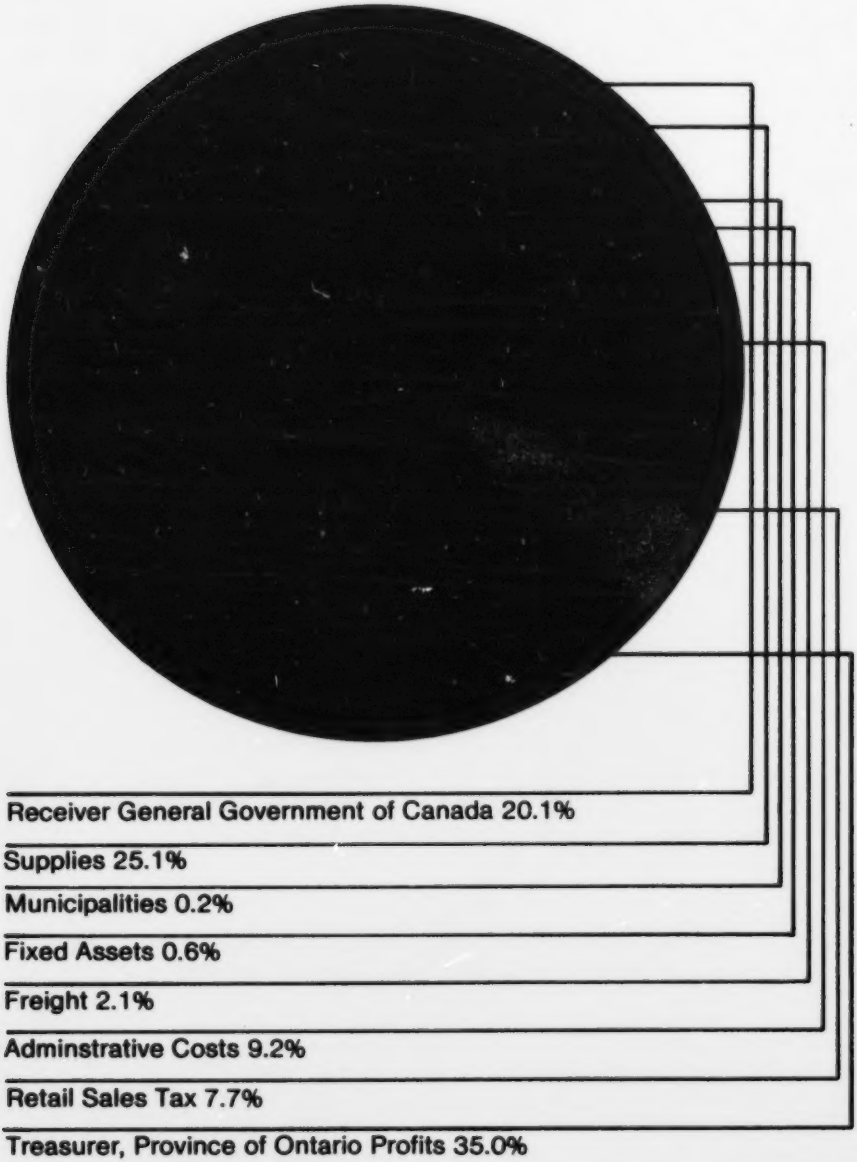
(b) The Board is building a new warehouse in Whitby, Ontario with total costs estimated at $108,000,000 through 1984. To March 31, 1982 $6,200,000 has been spent on land and buildings ($2,500,000 to March 31, 1981). The Board expects to spend $45,000,000 during the 1982-83 fiscal year.

Net Profit Paid to the Treasurer of Ontario March 31, 1976 — March 31, 1982



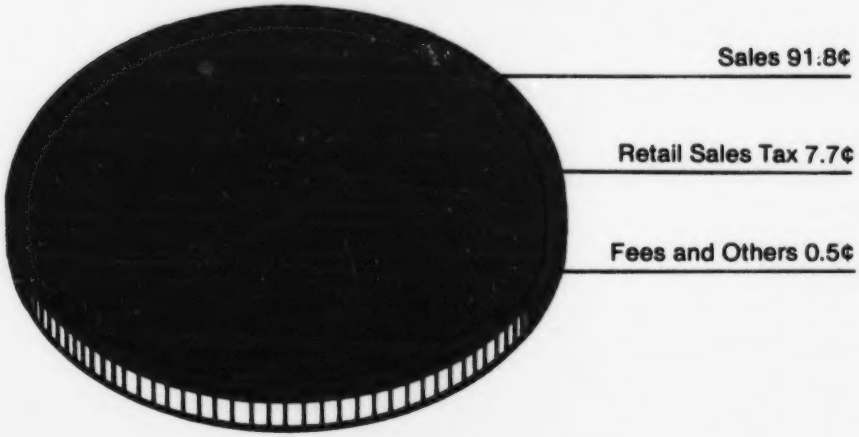
*Prior to January 2, 1976, the net profit of the L.C.B.O. included the financial results of the Liquor Licence Board of Ontario.

Liquor Control Board of Ontario
Distribution of Gross Revenue
1981 — 1982

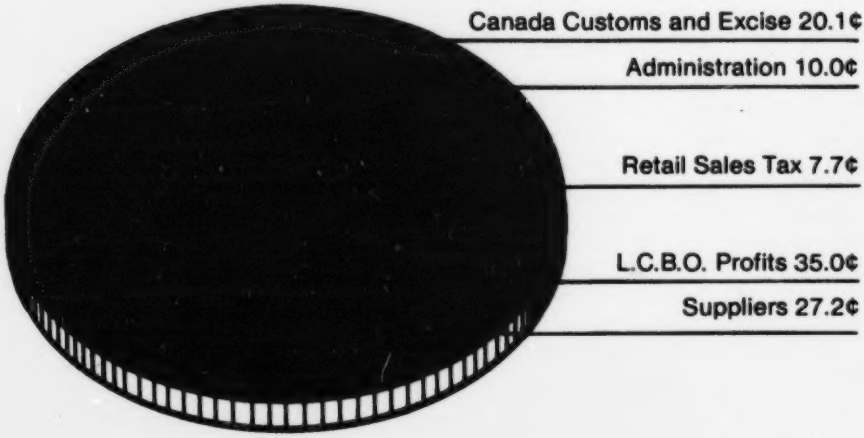


The L.C.B.O. Dollar
1981 — 1982

Where it comes from



How it is spent



Stores' Operations

Board Stores

The Board operated 591 stores during the year including the distribution depot in Toronto, two duty-free stores at the Toronto International Airport and two Rare Wines and Spirits outlets.

Four new self-serve stores were opened at the following locations:

May	15, 1981	138 Rice Lake Drive, Bewdley K0L 1E0
September	4, 1981	199 Wentworth St. West, Oshawa L1J 6P4
October	30, 1981	1505 Guelph Line, Burlington L7P 3B6
January	4, 1982	545 Yonge St., Toronto M4Y 1Y5

The following twelve stores were relocated and converted to self-serve operations during the year:

Store	From	To
28	307 Queen St. East	222 Broad St. E., Dunnville N1A 1J1
88	52 Grand River St. N.	25 Mechanic St., Paris N3L 1K1
132	57 Bridge St.	55 Landsdowne Ave., Carleton Place K3C 3S9
133	4141 Petrolia St.	4353 Petrolia St., Petrolia N0N 1R0
150	1061 Eglinton Ave. W.	2462 Dufferin St., Toronto M6B 3P7
199	49 Brock St. E.	200 Broadway Rd., Tillsonburg N4G 5A7
209	19 Church St. N.	96 Dominion St. W., Alliston L0M 1A0
241	4th Avenue	4th Avenue, Temagami P0H 2H0
316	Main St.	Main St., Athens K0E 1B0
346	177 Woodbridge Ave.	7766 Martingrove Rd., Woodbridge L4L 2C7
358	811 Chemong Rd.	811 Chemong Rd., Peterborough L9H 5Z8
375	Water & South Sts.	240 Old Highway #17, Plantagenet K0B 1L0

Other changes to store operations during the year included the converting of an additional 4 conventional Board stores to self-serve operation at their existing locations and the closing of 3 stores: Store #16 at 101 Richmond St. West, Toronto; Store #165 at 604 Concession St., Hamilton and Store #168 at 96 Queenston, St. Catherines. In addition, 2 summer stores were not re-opened — #334 at Bathchewana Bay and #499 at Wolfe Island. In keeping with the Board's policy of conversion to self-serve operations, there were 460 self-serve stores at March 31, 1982, representing 78 percent of the Board's total number of stores at fiscal year-end.

Agency Stores

During the year, one agency store was re-opened and one agency store was closed due to fire. In addition, three agency stores changed ownership. As at March 31, 1982, there were 67 agency stores in operation.

Breweries and Brewers' Retail Stores

On May 20, 1981, a licence was granted to Molson's Breweries (Ontario) Limited of Winnipeg to sell beer in Ontario.

On August 23, 1981, the licence of Henniger Brewery (Ontario) Limited was acquired by Amstel Brewery Canada Limited.

As at March 31, 1982, there were 11 breweries located within the province, as well as two in Quebec and three in Manitoba that were licensed to sell beer in Ontario.

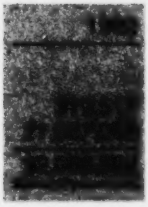
Two new brewers' retail stores were opened at the following locations:

May	17,1981	150 Katimavik Drive, Kanata K2K 1X7
November	23, 1981	South Cambridge Centre, Cambridge K2K 5S2

The number of stores in operation as of March 31, 1982 was 442.

Sales by Breweries to Other Provinces and Countries

(in gallons)



	1981	1980	1979	1978
Sales to Other Provinces	407,444	350,064	367,761	162,872
Export Sales	21,435,453	22,404,473	18,597,450	12,162,090
	21,842,897	22,754,537	18,965,211	12,324,962

All brands of beer produced by the 16 breweries which are licensed to sell beer in Ontario were analysed on a rotational basis by the Board, as in previous years. This quality control process ensured that beer sold in the province conforms with the regulations passed pursuant to The Food and Drug Act of Canada, 1953, and the standards set by the Board.

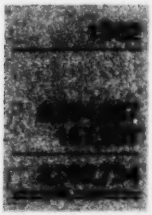
Wineries and Winery Retail Stores

On June 21, 1981, Colio Wines of Canada Limited was granted a winery licence which brought the number of wineries in operation as of March 31, 1982 to 12.

There was a net increase of 2 winery retail stores during the year as a total of 120 wine stores (68 regular and 52 mini stores) were in operation throughout Ontario at March 31, 1982.

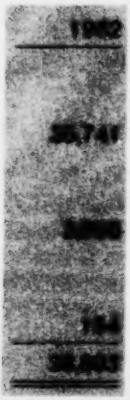
Sales by Wineries to Other Provinces and Countries

(in gallons)



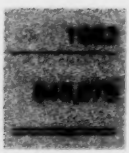
	1981	1980	1979	1978
Sales to Other Provinces	2,005,301	2,360,801	2,698,785	2,591,790
Export Sales	122,225	42,049	76,221	70,244
	2,127,526	2,402,850	2,775,006	2,662,034

The tonnage of Ontario grapes and apples used by the various Ontario wineries over the past five years is as follows:



	1981	1980	1979	1978
Grapes used in the manufacture of wine	40,241	43,011	44,470	34,269
Grapes used in the manufacture of concentrate	4,331	1,252	3,817	824
Apples used in the manufacture of cider	588	376	608	964
	45,160	44,639	48,895	36,057

The following quantities of wine (in gallons) were imported for blending in accordance with the conditions of the Wine Content Act, 1976:



1981	1980	1979	1978
675,446	414,143	240,150	2,400

Storage and Distribution Centre

— Durham Region

There were a number of important developments during the year regarding this project which is scheduled for completion March 1984.

The ground-breaking ceremonies took place August 6, 1981 and site preparation was completed by Spring 1982. Tenders were received and contracts awarded for segments of the project.

The magnitude of this project required a significant commitment from various staff resources during the past year.

Planning and Technical Services Division co-ordinated the materials handling system study and provided the technical support needed so that this concept could be finalized.

The Data Processing Systems section developed a general design for the system required to support the warehouse operation and specifications were drawn up for the computing equipment necessary to complement the Durham systems.

The Warehousing and Distribution division staff began developing detailed operating procedures by defining the functional areas in the new warehouse. Job descriptions, testing and conversion tasks are presently underway.

In the year ahead, it is anticipated that foundation construction will be completed and structural steel construction of the complex will begin.

Products

An analysis of the products listed by the Board, which follows below, illustrates the varied selection available to the public in Ontario.

Control is exercised over the chemical and flavour integrity of these many products to ensure compliance with Federal and Provincial legislation. The Products Division maintains a modern laboratory facility and employs tasting panels competent to assess the quality of all brands. In addition, the laboratory has responsibility for quality control checks on wines and spirits purchased in bulk and packaged by the Board's bottling facility.

The Board has a commitment to the consumer requiring all products meet quality assurance standards.

L.C.B.O. Product Listings as at March 31, 1982

Domestic		Imported	
Canadian Whiskey	174	Whisky — Scotch	85
Canadian Blended Rums	108	— Irish	2
Canadian Gin	67	— Bourbon	4
Canadian Vodka	74	— Tennessee	1
Canadian Brandy	7	Gin	13
Canadian Blended Brandy	15	Rum	19
Alcohol	4	Vodka	4
Fruit Spirits	3	Tequila	5
Miscellaneous Liquors	3	Brandy	47
Canadian Liqueurs	109	Fruit Spirits	6
Ontario Wine	517	Miscellaneous Liquors	22
Other Canadian Wine	27	Liqueurs	59
Canadian Cider	7	Wine	672
Canadian Beer	5	Cider	5
	1,120	Beer & Sake	28
		Specialty Items	15
			987

Total Regular Listings	2,107
Rare Wine & Spirits	395
Duty Free Listings	60
Total Product Listings	2,562

Personnel

The number of Board members and permanent employees of the various departments of the Board as of March 31, 1982 is as follows:

Board Members	5
Staff of Departments	
Chairman's Office	1
General Manager	13
Accounting	61
Audit	50
Bottling	19
Building Maintenance	18
Data Processing	42
Distribution Analysis	7
Laboratory	11
Legal	2
Mail & Multigraph	8
Personnel	21
Planning	5
Product Administration	32
Properties Management	15
Purchasing	2
Records Management	6
Security Services	5
Stores	2,782
Store Operations	43
Warehouses	344
Warehouse Administration	18
	3,505

In addition, there were 1,895 temporary employees as of March 31, 1982 and of this total, 1,885 were employed in Board stores.